



Department of Housing and Urban Development – Andrew Cuomo, Secretary
Office of Public Affairs, Washington, DC 20410

HUD No. 00-27

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FOR RELEASE

Tuesday

February 8, 2000

HUD RELEASES JANUARY SURVEY OF SECONDARY MARKET PRICES AND YIELDS AND INTEREST RATES FOR HOME LOANS

WASHINGTON – The U.S. Department of Housing and Urban Development today released results of its latest survey of market conditions for fixed rate, long-term, level payment home loans as well as interest rates for home construction funds. The January 1, 2000, survey found that the most frequently quoted contract rate for HUD/FHA Section 203(b) mortgages being sold in the secondary market for immediate delivery was 8.50 percent. Typical prices for 8.50 percent contract interest rate loans produced a national average secondary market yield of 8.55. FHA secondary market yields on the most frequently quoted Section 203(b) contract rate increased 49 basis points for the U.S. average.

In the FHA primary mortgage market, the average FHA effective rate for all reported primary market quotes was 8.28 percent. Lenders reported that the most frequent rate being quoted to potential FHA homebuyers for 60 days or more "lock-in" commitments was 8.25 percent with an average of 71 basis points and an effective interest rate of 8.35 percent. Average basis points for the 8.50 percent primary rate were 125 basis points in the West and 0 basis points in the Southeast. None of the other regions quoted the 8.50 percent dominant rate for January 1.

The national average contract rate for commitments on conventional loans for new home loans in the primary mortgage market went up 16 basis points from 7.79 percent in December to 7.95 percent for January. Existing home loans also increased 17 basis points from 7.82 percent in December to 7.99 for January.

The proportion of HUD offices reporting an adequate supply of construction funds on January 1 was 100 percent for both FHA and conventional financings. For the trend of builders' plans, in the latest survey, the majority of builders remained in the stable building plan category for each home price class. The proportion on January 1 was 76 percent for low-priced homes, 87 percent for moderate-priced homes, and 79 percent for high-priced homes.

On January 1 the proportion of HUD Field Offices reporting a stable trend in builders' unsold inventory of new homes was 69 percent, while 28 percent noted a declining trend and only 3 percent reported an advancing situation. An advancing trend is indicative of a growing inventory of homes, meaning either over-production and/or slower new home sales. Conversely, a declining inventory of new homes indicates demand would be relatively stronger than supply. One year ago the proportion of offices reporting a stationary trend was 84 percent, a declining trend of 16 percent, and no one reported an advancing trend.

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Date of next release: February 23, 2000

The entire news release and all tables are now available on the WEB:

<http://www.hud.gov/fha/comp/rpts/fharpts.html>